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C O N F I D E N T I A L SECTION 01 OF 03 VIENTIANE 000228

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TAGS: [EINV](#) [KCRM](#) [ECON](#) [ETRD](#) [SMIG](#) [SOCI](#) [ELTN](#) [ECIN](#) [PREL](#)  
CM, LA  
SUBJECT: CHINA'S GOLDEN CITY IN NORTHERN LAOS

REF: A. 05 VIENTIANE 0784  
[1](#)B. 05 VIENTIANE 1044  
[1](#)C. 06 VIENTIANE 0804  
[1](#)D. 06 VIENTIANE 0452

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Classified By: Patricia M. Haslach for reasons 1.4 (b) and (d)

[1](#)1. (C) Summary. The recent opening of a Chinese casino and hotel complex in Luang Namtha Province along the Lao-China border is symbolic of growing Chinese influence in northern Laos. Although only 20 percent of the planned ten-year project has been completed thus far, this first phase amounts to an investment of more than \$100 million USD. More than 1,000 Chinese have moved into Boten over the past few months to work for the project. While few Lao found employment with the project, villagers who were resettled from the Chinese concession area are hopeful that Chinese development in the area will eventually yield job opportunities. The new casino appears to contradict recent Chinese Government efforts to force the shutdown of gambling establishments along Yunnan Province's borders in Burma and Laos. If the project develops as planned, Boten will serve as a key tourist destination and a transit point for Chinese goods destined for Thailand and other ASEAN countries. Post fears, however, that the concession area may develop into a lawless haven for illegal activities. This cable is a follow-up to Ref A. End Summary.

China's Golden City in Northern Laos

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[1](#)2. (SBU) On February 11 and 12 PolOff visited Boten on the Lao-China border in Luang Namtha Province. In 2003, Hong Kong's Fok Hing Company was granted a 30-year concession of 1,640 hectares for development of the Boten Golden City Project, the first phase of which would include infrastructure development as well as a hotel, casino, and trading center. The concession extends from the Lao-China border checkpoint along the first five kilometers of the Kunming-Bangkok (A3) Highway in Laos. The concession agreement stipulates that the company would fund the resettlement of villagers in the area and also pay the GoL

two million USD per year for the concession. Beginning in mid-2005, villagers were resettled into four new villages outside the five-kilometer concession area and compensated by the investor for their dwellings. Villagers had also been promised jobs either working on construction of the project or working for the completed hotel/casino.

¶3. (C) The entire ten-year project is expected to be completed in 2015. Besides the already-completed five-star hotel and casino, the project will also include a trading center, entertainment centers, golf course, market, meeting facilities, additional hotels, manufacturing complex, storage facilities, transit/transportation support facilities, bus station, as well as a school, hospital, and cemetery. Trade facilities and transportation support are expected to be completed during the 2008 - 2010 phase of construction. Although the original draft investment plan called for total investment of approximately \$120 million USD, the actual investment is unclear as income generated by the first phase of the project - the casino, hotel, and trading center - is expected to help fund subsequent project phases.

¶4. (SBU) In early February 2007, the hotel/casino officially opened. It is intended to cater primarily to Chinese tourists. The construction of a second building, reportedly a trade center, has already begun. While several dormitories have already been constructed, additional units for hotel/casino staff are being constructed. The hotel, casino, and trade center are reported to make up 20 percent of the total project. The hotel, the largest in Laos, has 270 guest rooms, two restaurants, a KTV karaoke establishment, and a casino. According to those working at the hotel/casino as well as those working for other establishments that support its operations, more than 1,000 Chinese have moved into Boten to work. Most of the Chinese working for the hotel/casino are from Fujian and Yunnan Provinces, although there are also

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many from Hunan, Sichuan, and Guizhou Provinces as well as Chongqing Municipality. Chinese not working for the project directly have opened restaurants, grocery stores, and laundry services that support workers who are employed by the project.

#### Chinese Headaches at Boten Immigration Checkpoint

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¶5. (SBU) In early February, Lao immigration officials were having difficulty processing Chinese visitors at the Boten immigration checkpoint. Several Chinese were stopped as they were leaving Laos because they had visited the casino without bothering to pass immigration. Frustrated by language barriers, immigration officials quickly told them "just go." During a short time observing the processing of visitors, a few individuals and at least two vehicles passed the border checkpoint without stopping. Most arriving at the checkpoint had received visas at the Lao Consulate in Kunming, the provincial capital of Yunnan Province, while some were traveling on border passes issued in XiShuangBanna in southern Yunnan Province. (Note: Chinese residents of XiShuangPanna (known as Sip Song Phan Na in Laos) generally have border passes that permit travel to the four northern Lao provinces of Luang Namtha, Oudomsay, Phongsaly, and Bokeo. End Note). Visas on arrival are also available for visitors from China and other countries.

#### Resettled Villagers: Disappointed but Hopeful

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¶6. (SBU) PolOff visited two of the villages that had been created to make room for the Golden City Project. A total of 1,192 villagers were reportedly resettled into the four new villages to make room for the concession. News articles released in early 2006 stated that 90 percent of the employees hired by the project would be Luang Namtha residents. Bo Piat Village claims 73 families and 392 people. One resident told us that 25 - 30 of the villagers had worked at a brick factory in support of the hotel's construction. While many had applied for jobs to work at the

new hotel/casino, only four villagers obtained employment once the facility was completed - as janitorial staff earning 350 Yuan per month (\$45 USD). Several Bo Piat Villagers indicated that they hope to find employment at the newly-constructed Chinese cigarette factory just outside the concession area. The factory plans to hire 70 people.

¶17. (SBU) In another resettled village with 60 families less than two kilometers away, some village youth were reportedly being trained to serve as card dealers at the new casino, and some adults had performed construction work for the project. The construction of a new school for use by both this village and Bo Piat Village, funded by the Chinese company behind the Golden City Project, had just begun. While villagers were disappointed that more jobs had not developed, most felt the Golden City Project and related development in the area would yield benefits for villagers in the long-term. (Note: While PolOff saw no evidence of Lao working at the hotel/casino, one villager indicated that the project had hired more than 300 Lao from Vientiane Municipality to work at the Hotel/Casino. End Note).

#### A Curious Endeavor

¶18. (C) While China and Laos have increased trade and investment cooperation significantly in recent years, the Golden City Project seems to contradict Chinese efforts to shut down gambling establishments bordering China during the past few years. In July 2005, Xinhua News reported that the Chinese Government, working with Burmese and Lao officials, had "brought down more than 80 casinos bordering China" as well as fourteen underground liaison offices in Yunnan Province. The approval and construction of the Golden City Project seems to contradict efforts to cleanse Yunnan Province's borders of gambling establishments or, as some have speculated, those efforts may have been designed to eliminate less desirable establishments and/or potential competition.

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¶19. (C) The company behind the Golden City Project is the Hong Kong Fok Hing Company. The President and lead investor in the Golden City Project is reportedly Mr. Huang Ming Xian. According to Chinese working in Boten, he is originally from Fujian Province and is well-known on China's east coast. His primary investment partner is reportedly from Yunnan Province. A Chinese man working for the casino told PolOff that both Mr. Huang and his Yunnanese partner have strong connections with key players within the GoL as well as the Yunnan Provincial Government. Lao Deputy Prime Minister Somsavat Lengsavad, ethnic Chinese himself, visited the hotel/casino project in late January and offered high praise to the project leaders.

¶10. (C) Officials at U.S. Consulate General Hong Kong checked local business directories and found three listings for companies by the name Fok Hing Company. Noting that there are many "shell companies" in Hong Kong that are run by Mainland Chinese, Consulate officials said one of the three companies was identified as a coffee trading business, another was a travel company, and a description of the third company was unavailable. Comment: Given the difficulty in obtaining information regarding the company behind the Golden City Project as well as the Chinese Embassy Economic/Commercial Officer's uncharacteristic reluctance to discuss the company and its project, PolOff suspects Fok Hing Company is simply a front organization for Mr. Huang and his unknown partners. End Comment.

#### Comment

¶11. (C) The Boten Golden City Project amounts to a Chinese city in northern Laos. With growing pains already obvious at the immigration checkpoint, and the casino only recently open, post expects language-related difficulties to increase

during coming months. Although the Lao are responsible for providing law enforcement in the concession area, managing law enforcement in a city of mostly Chinese workers and Chinese tourists without the requisite language abilities will be near impossible. This factor, combined with reluctance on the part of provincial and district officials to enforce the law in general, could result in Boten Golden City developing into a haven for illegal activities (Ref D).

¶12. (C) In 2005, Luang Namtha officials were unsure if the Boten Golden City Project would ever develop. The former North Asia Division Director of the Lao Ministry of Foreign Affairs had indicated to PolOff in late 2005 that many Lao and Yunnan Province officials were specifically opposed to the casino portion of the project. Despite the apparent opposition of some officials on both sides of the border, however, the casino has now been completed, and the first phase of the project is on schedule. If additional phases are constructed as planned, and once the 222 kilometer stretch of the Kunming-Bangkok Highway in Laos and the connecting bridge between Laos and Thailand at Houaysay City are completed, Boten has the potential to become a key transit point for goods and travelers destined for Thailand and other ASEAN nations.

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